

**NASHVILLE DRUG COURT SUPPORT  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 and 2006**

**(With Independent Auditors' Report Thereon)**

# Farmer & Associates, PLLC.

A. Jack Farmer, CPA  
1044 Lewisburg Pike  
Franklin, Tennessee 37064  
jfarmerj@comcast.net

## Independent Auditors' Report

To the Board of Directors  
Nashville Drug Court Support Foundation, Inc.

We have audited the accompanying statements of assets, liabilities, and net assets – modified cash basis of Nashville Drug Court Support, Inc. (a non-profit organization) as of December 31, 2007 and 2006 and the related statement of support, revenue and expenses – modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Nashville Drug Court Support Foundation, Inc. as of December 31, 2006 and 2005, and its support, revenue, and expenses for the years then ended, on the basis of accounting described in Note 2.

*Farmer & Associates, PLLC*

Franklin, Tennessee  
April 30, 2008

Nashville Drug Court Support Foundation, Inc.  
Comparative Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis  
December 31, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ <u>14,605</u>	<u>40,899</u>
Total Current Assets	<u>14,605</u>	<u>40,899</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building	179,703	179,703
Machinery and equipment	58,785	58,785
Less accumulated depreciation	<u>58,264</u>	<u>46,674</u>
Total Property and Equipment	<u>180,224</u>	<u>191,814</u>
Total Assets	<u>\$ 194,828</u>	<u>232,713</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Mortgage payable, including \$2,924 due within one year	<u>66,123</u>	<u>68,746</u>
<b>NET ASSETS</b>		
Unrestricted net assets	\$ <u>128,705</u>	<u>163,966</u>
Total Net Assets	<u>128,705</u>	<u>163,966</u>
Total Liabilities and Net Assets	<u>\$ 194,828</u>	<u>232,713</u>

See notes to financial statements

Nashville Drug Court Support Foundation, Inc.  
Comparative Statement of Support, Revenue, and Expense - Modified Cash Basis  
For the Periods Ended December 31, 2007 and 2006

**CHANGES IN UNRESTRICTED NET ASSETS**

	<u>2007</u>	<u>2006</u>
Support and revenue		
Grants and contracts	\$ 415,207	491,565
Contributions	31,169	27,323
Special events	18,040	18,721
Other income	<u>138</u>	<u>142</u>
 Total Support and Revenue	 <u>464,554</u>	 <u>537,751</u>
 Program Expense		
Contract labor	39,969	13,102
Equipment maintenance and repair	1,550	-
Depreciation	11,590	8,552
Resident incentives	6,014	-
Education	93,573	3,172
Golf tournament	5,040	5,634
Medical	5,983	2,036
Printing and reproduction	275	-
Utilities	3,334	557
Vocational rehabilitation	16,867	16,521
Interest	5,412	2,764
Travel	7,657	4,803
Rent	24,000	22,810
Food for residents	20,442	78,311
Miscellaneous	<u>17,226</u>	<u>3,475</u>
Total Program Expense	<u>258,931</u>	<u>161,736</u>

See notes to financial statements

Nashville Drug Court Support Foundation, Inc.  
Comparative Statement of Support, Revenue, and Expense - Modified Cash Basis  
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Management and general expense		
Bank Service charge	224	36
Contributions	1,200	1,725
Dues and subscriptions	365	20
Licenses and permits	-	250
Office supplies	12,330	11,875
Postage and delivery	-	56
Insurance	2,583	5711
Payroll	150,332	144,094
Payroll taxes	44,007	43,574
Employee benefits	2,356	2,046
Professional fees	1,953	3,878
Telephone	12,017	9,511
Travel	<u>8,783</u>	<u>13,973</u>
Total management and general expense	<u>236,149</u>	<u>236,747</u>
Fundraising expense	<u>4,735</u>	<u>1,364</u>
Total expense	<u>499,815</u>	<u>399,848</u>
Increase (decrease) in unrestricted net assets	(35,261)	137,903
Net assets at beginning of year	<u>163,966</u>	<u>26,064</u>
Net assets at end of year	<u>\$ 128,706</u>	<u>163,966</u>

See notes to financial statements

Nashville Drug Court Support Foundation, Inc.  
Notes to Financial Statements  
December 31, 2007 and 2006

1. ORGANIZATION AND NATURE OF BUSINESS

Nashville Drug Court Support Foundation, Inc. a Tennessee not-for-profit corporation (the "Organization"), was organized as a drug treatment program implemented through the Metro Nashville Davidson County Government to provide counseling and medical services to its participants. The Organization's primary source of support is a grant from the U.S. Department of Justice. The current grant period is from April 1, 2007 through March 31, 2009. The Organization's sole client is Metro Government's DC4 Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Nashville Drug Court Support Foundation, Inc. have been prepared on the modified cash basis of accounting. Revenues are recognized and recorded when received and expenses are recognized and recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are reported at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated principally using accelerated methods over their estimated useful lives.

Reclassifications

Certain amounts for the prior year presentation have been reclassified to conform to the current year's presentation.

Nashville Drug Court Support Foundation, Inc.  
Notes to Financial Statements  
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Long-lived Assets

The Organization periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Management believes that the long-lived assets in the accompanying statement of assets, liabilities, and net assets are appropriately valued.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor stipulations that limit the use of the donated assets either on a temporary or permanent basis. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

3. MORTGAGE PAYABLE

The Organization has a mortgage payable to Bank as of December 31, 2007 of \$66,123 payable in monthly installments of \$670 including interest at 7.9%. The final payment of \$47,039 is due June 2013. The property at 4010 Red Rose Court Nashville, TN collateralizes the mortgage.

Aggregate mortgage payable maturities are as follows for the next five years:

2008	2,924
2009	3,164
2010	3,423
2011	3,703
2012 and thereafter	52,909